

EMPIRE INSURANCE COMPANY
ASEAN CORPORATE GOVERNANCE 2017 - 2018
SUPPLEMENT

RESPONSIBILITY FOR GOOD GOVERNANCE

- . Good Corporate Governance is the responsibility and concern, not only of the Board of Directors and Management, but also of each and every employee of the Corporation. The Board regularly reviews the Rules and Regulations, defining the duties and responsibilities of each and every officer and employee to accomplish the objective.

IMPLEMENTATION AND ENFORCEMENT

- . EMPIRE INSURANCE COMPANY strives for best practices in order to raise its Corporate Governance to international standards.

RIGHTS OF STOCKHOLDERS

- . There was no declaration of dividend for the year 2017.
- . The Annual Stockholders' Meeting is scheduled every 3rd Thursday of April. Special Stockholders' Meetings are scheduled as the needs arise.
- . The Nomination Committee welcomes all nomination for evaluation.
- . The Company sends notices of Annual Meeting beyond 21 days prior to date of Meeting.
- . The Agenda of the meeting are sent along with the Notices sent to Stockholders no less than 21 days prior to the meeting.
- . No merger transpired. In case of a merger, acquisitions and/or takeover this shall be governed by IC Circular Letter 2015-11 on Rules and Regulation on Consolidation & Merger of Insurance Companies; and in accordance with the Amended Insurance Code of the Phippines 10607, Title 16 Consolidation & Merger of Insurance Companies. Stockholders will be notified and the Board of Directors will appoint an independent party to evaluate such transaction.
- . Management awards contracts to suppliers through bidding. Selection is based on the submitted required documents such as Company Profile, SEC/DTI Registration Papers, yearly Business Permit; list of clients including performance evaluation on a yearly basis.
- . Safeguards are stipulated in contracts such as performance bonds. Contracts are reviewed by the Legal Counsel before endorsement to the Board Meetings.

- . By its nature, our business has limited impact on the environment.
- . The Company practices recycling of paper and conscious minimization of electricity usage during noon breaks; customer friendly and has a conducive workplace for employees.

- . Management sees to it that dealings with stockholders are above board.
- . Sensitive matters are presented to the Board or taken up with the Legal Counsel.
- . Internal Audit lays out procedures and enforces implementation to avoid corruption within our ranks.

SHARES AND VOTING RIGHTS

- . The Company has only one class of shares - common shares. Each Stockholder of record is entitled to one vote for each share of stock in his/her name.
- . Voting in absentia is allowed via proxy.
Duly accomplished proxy forms can be sent via email.

NOTICE OF ANNUAL STOCKHOLDERS MEETING

- . Each Resolution deals with only one item.
- . Notices including the Agenda are delivered to all stockholders. Notices are written in English.
- . Notices include explanations as needed.
- . Proxy documents, are delivered timely over that is 21 days prior to the date of meeting and include proposed matters for shareholder votation.
- . Duly accomplished Proxy forms are collected from stockholders without need to be notarized
- . Stockholders are furnished with sufficient information concerning the date, location and agenda of the General Meeting as well as information regarding issues to be decided on in the meeting.
- . Shareholders are informed of the rules including voting procedures that govern shareholders meetings.
- . The Board of Directors selects and recommends the Auditor seeking appointment in the Stockholders Meeting.

WELFARE POLICIES FOR ITS EMPLOYEES

- . The Company enrolls employees in the Insurance Development Programs of the Insurance Institute for Asia the Pacific.
- . The Company also gives in-house insurance training for employees.
- . The Company provides Healthcare Maintenance and Life Insurance for its Employees.
- . The Company has annual Fire and Earthquake drills for its employees.
- . The Company has Fire and Earthquake Contingency plans for the safety and welfare of its employees.
- . The Company has reward/compensation Company benefits: Professional Incentive Bonus, Years-of-Service Awards, Christmas Bonus; and Profit Sharing Bonus.
- . Given the Company's lean organizational chart, the Open Door Policy serves as the effective mode of relaying concerns to the Board Management is discreet in addressing such reports and keeps informants names confidential.
- . The Company has, a Comprehensive General Liability Insurance Policy to address customer health and safety.

SUPPLIER/CONTRACTOR SELECTION AND CRITERIA

- . The Company requires close bidding from at least three suppliers/contractors.
Selection is based on the quotation.
Criteria: Company Profile, SEC/DTI Registration Papers, Business Permit, Clients & Performance evaluation.
Chosen suppliers/contractors are required to post performanace bond based as needed.

FINANCIAL REPORTING

- . The Board ensures timely and accurate disclosure of all material matters including the financial condition, performance, ownership and governance of the Corporation.
- . Fair, timely and cost-efficient access to relevant information is made available to all parties with legitimate interest in the Corporation. Key financial information are readily and easily accessible to shareholders, policyholders, creditors and claimants in the Audited Financial Statements.
- . The Board and Senior Management receive monthly reports on all key aspects of operations of the insurance Corporation, which include an analysis of premium growth, underwriting performance, investment results, claims management and credit control to provide a sound basis for assessing financial performance and condition, identifying real and potential problems and formulating appropriate policies and strategies.
- . The Board ensures faithful compliance with the financial and other reportorial requirements under the Insurance Code using a standard format provided by the Insurance Commission.

TRANSPARENCY

- . Disclosure includes material information on the financial and operating results of the Corporation in the Audited Financial Statement of the Company
- . Annual Statement submitted to the Insurance Commission.
- . Website

CREDITORS RIGHTS

- . The Company actively manages and monitors its capital and assets levels, the diversification and credit quality of its investments and its cash forecasts and actual amounts.
The Company also maintains liquidity contingency plans.

INTERNAL CONTROL

- . The Board assures that an effective system of control is in place for safeguarding the Corporation's assets.
- . Major risks facing the corporation which are likely to affect the performance and financial condition, including underwriting risk, reinsurance risk, investment risk, geographical risk, operational risk and legal risk and the approach taken by Management in dealing with these risks, are reported to the Board to enable the latter to effectively address said risks.
- . The Board ensures that reports accurately reflect the financial condition of the Corporation and the results of its operations.
- . The Board regularly reviews the system for ensuring adherence to key internal policies as well as significant laws and regulations that apply to it.
- . Effective and comprehensive internal audit of the Corporation's internal control system are carried out by an operationally independent and competent outsourced staff. Audit findings and recommendations are reported to the Board and Senior Management.
- . One of the most important missions of the Board is to protect shareholders value through adequate financial controls. The Board fosters and encourages a corporate environment of strong internal control, fiscal accountability, high ethical standards and compliance with the law and the Company's Code of Conduct.

TIMELY FILING/FINANCIAL REPORTS

- . Audited Annual Financial reports are submitted to Bureau of Internal Revenue, Securities & Exchange Commission and the Insurance Commission.
- . The Statement of Management Responsibility for Financial Statements in the Audited Financial Statement is signed by the Chairman, the President & CEO, and the Treasurer.

ACCESS TO INFORMATION

- . Board members obtain accurate relevant and timely information; production and other financial reports are presented in the meeting itself.
- . The Secretary ensures that all appointments are properly made, all necessary information are obtained from Directors for Company records for the purposes of meeting statutory obligations arising from requirements of the Insurance Commission and other Regulatory Agencies.

MEDIUM OF COMMUNICATION

- . Company Website
- . Audited Financial Statement
- . Annual Statement to the Insurance Commission
- . Monthly Reports to the Board of Directors
- . Company Corporate Governance
- . Newspaper for Synopsis
- . Company Profile

BOARD APPOINTMENTS

- . The Directors are nominated and elected based on their qualifications and performance.
- . Directors are conscious of their accountability to shareholders.
All directors have attended the Corporate Governance Seminar.
- . Board members have appropriate knowledge, competencies and expertise to complement the existing skills of the Board, thereby improving its potential for the Company.

BOARD OF DIRECTORS

- . The Board of Directors is composed of 9 members elected by the Shareholders. The Corporation ensures that there are at least two Independent Directors in the Board.
- . The Board endeavors to include a balance between executive and non-executive directors, such that no individual or small group of individuals can dominate the Board's decision making.
- . The non-executive Directors are of sufficient qualification and stature.
- . Non-executive independent Directors are identified in the Annual Report/Annual Statement to the Insurance Commission.

QUALIFICATIONS & AGE LIMIT

- . Every Director has at least one (1) share of the capital stock of the Corporation standing in his/her name in the books of the Corporation.
- . Directors sitting on its Board are possessed of the necessary skill, competence and experience, in terms of management capabilities and insurance or insurance-related disciplines. In view of the fiduciary nature of insurance obligations, directors are persons of integrity and credibility.
- . There is no age restriction for Directors provided that he/she is physically and mentally able to discharge his/her duties, functions and responsibilities. He/she may voluntarily retire from service by giving notice to the Board of Directors at least thirty (30) days before the effectivity date of his/her retirement.

BOARD DUTIES AND RESPONSIBILITIES

- . The Regular Meeting of the Board of Directors is set every last Monday of each month.
- . There are Twelve (12) regular meetings a year, Special Board Meetings are called as the needs arise.
- . All types of decisions requiring Board's approval are in the Monthly Board Meeting Minutes, and Special Meetings.
- . Monthly financial reports and other relevant issues and concerns are taken up.
- . Independent Directors have a term limit of five consecutive years as provided by IC Circular N. 2014-49 effective January 2, 2015.
- . Directors inhibit themselves from voting on issues where there is conflict of interest.
- . No Loans are extended to Directors, as stated in the Annual Audited Financial Statement.

BOARD CHAIRMAN & CEO

- . Considering that the insurance business is imbued with public interest, the roles of Chairman and Chief Executive Officer are NOT combined to ensure a balance of power and authority, such that no one person has unfettered decision-making powers. The Chairman of the Board is a non-executive Director.
- . The Chairman has a role distinct from that of the President & CEO.
- . The Chairman is available to shareholders for dialogue on key matters of the Company's Governance.
- . The Chairman does not participate in the day-to-day management of the Company.

COMPANY INDEPENDENT DIRECTORS

- . The Company's two (2) Independent Directors were never officers nor employees of the Corporation .
- . They are not related by consanguinity or affinity to any officer in the Company's senior management position of the Corporation.
- . They neither provide services to, nor receive significant income for, other professional services to the Corporation.
- . Independent Directors have attended Corporate Governance Seminar.

BOARD PROCEDURES

- . Regular Board Meetings are scheduled after the Annual Election of the Board of Directors.
- . The Regular Board Meeting by the Directors is scheduled on last Monday of each month.
- . The Board meets twelve (12) times a year and has special Board Meetings as needed.
- . Annual Certifications of Director's Attendance are submitted to the Insurance Commission before

January 30 of each year.

- . The Company's quorum for the Board Meetings is 2/3 of 11 seats or the equivalent of 7.

MISSION & RESPONSIBILITY OF THE BOARD OF DIRECTORS - COMPANY'S CORPORATE GOVERNANCE

- . Approving and yearly reviewing Corporate Philosophy and Mission Vision.
- . Reviewing and approving Management's strategic and business plans.
- . Reviewing and approving the Corporation's financial objectives, plans and actions
- . Overseeing the conduct of the business to ensure proper management; fair and equitable dealings with the policyholders, claimants and creditors.
- . Identifying key business risks, establishing operational risk-taking limits commensurate with financial capacity and technical capabilities for the Corporation's core activities, specifically underwriting, reinsurance and investment, taking into consideration the pertinent provisions of the Insurance Code, and ensuring the implementation of appropriate systems to manage risks within said limits.
- . Performing other functions prescribed by law or assigned to the Board in the Corporation's Articles of Incorporation and By-Laws.
- . Approving corporate policies on major areas of operations, including underwriting, investments, reinsurance and claims management.
- . Ensuring the adequacy and effectiveness of internal control and management information systems, and compliance with applicable laws, rules and regulations and the Corporation's own Articles of Incorporation and By-Laws.
- . Assessing its own effectiveness in fulfilling its responsibilities.
- . Monitoring corporate performance against the strategic and business plans.
- . In sum, fostering the long-term success of the Corporation in a manner consistent with its fiduciary responsibility, which it exercises in the best interest of the Corporation and its shareholders.

SKILLS AND COMPETENCE -

- . The members of the Board are individuals of integrity and credibility.
- . Directors are conscious of their accountabilities to shareholders.
- . The Directors possess the necessary skills, experience in terms of management and in the field of insurance.
- . Reference: Bio Data

BOARD AUTHORITY

- . The Board alone has and authority on the following matters:
 - Acquisitions and disposal of assets of the insurance corporation that are material in nature;
 - Related-Party Transactions of material nature;
 - Authority levels for core functions of the insurance corporation;
 - Organizational structure, job description and authority limits for the Chief Executive Officer including any changes thereto;
 - Corporate policies on investment, underwriting, reinsurance, and claims management.

BOARD COMMITTEES - COMPANY'S CORPORATE GOVERNANCE

. EXECUTIVE COMMITTEE

Can act on behalf of the full Board on matters defined by the Board, and submitted by Management for action, when the Board cannot meet.

. INVESTMENT COMMITTEE

The Committee is made up of at least three (3) directors. It is charged with the responsibility of advising the Board on the placement of the Company's funds in any marketable securities and/or financial institution for investment purposes.

. AUDIT COMMITTEE

Comprises of three (3) members of the Board of Directors of whom two are Independent Directors and one Director with accounting and finance experience who are free to hire independent adviser when necessary.
Audit Committee Chairman is an Independent Director.

Committee's responsibilities:

Recommend the appointment of external auditors whose report they review;

Monitor the system of internal controls and corporate compliance with laws, regulations and code of ethics;

Serve as direct channel of communication to the Board for the internal auditors and compliance officers(s).

The Committee meets four times a year.

. NOMINATION COMMITTEE

Composed of at least three (3) members of the Board of Directors of whom two are Independent Directors.

Nomination Committee Chairman is an Independent Director.

Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.

The Committee meets twice a year.

The Committee observes the following guidelines in the determination of the number of directorship for the Board:

- . Nature of the business of the corporation where he is a director.
- . Age of the director
- . Number of directorships/active memberships and officerships in other corporations or organizations; and
- . Possible conflicts of interest.

. REMUNERATION/COMPENSATION COMMITTEE

Composed of at least three (3) members of the Board of Directors, two of whom are Independent Directors.

Chairman of Remuneration Committee is an Independent Director.

It delegates responsibilities for setting the remunerations of all executive directors and the Chairman.

Ensures that there is in place a system of compensation providing performance incentive to Management.

Evaluates the Board and Senior Management.

The Committee meets twice a year.

BOARD APPRAISAL

- . The Company provides an adequate orientation process for new directors, the Code of Corporate Governance Principles and Leading Practices; stating among others, the specific Duties and Responsibilities of Directors to all and new Directors. All Directors have attended the Corporate Governance Seminar.
- . An Annual Performance Assessment is conducted by the Board of Directors of its own performance and as individual Directors.

BOARD REMUNERATION

The Board sets remuneration levels adequate to attract and retain qualified directors.

Directors' remuneration are competitive and take into account the duties and other commitments imposed upon them.

CEO/EXECUTIVE MANAGEMENT

- . Appointments are done annually after a confidential performance review.

PUBLIC ACCOUNTABILITY - COMPANY'S CORPORATE GOVERNANCE

- . As custodian of public funds, EMPIRE INSURANCE COMPANY ensures that its dealings with the public are always conducted in a fair, honest and equitable manner. Accordingly, its Officers avoid conflicts of interest and do not engage in any unfair or deceptive act or conduct that constitutes unfair trade practices to the detriment of policyholders and claimants, including but not limited to:
 - . Misrepresentations through false, deceptive or misleading statements, which include misrepresentations as to terms and benefits of insurance policies, the financial condition of the Corporation and information about competitors for the purpose of inducing a policyholder to lapse, forfeit or surrender his policy;
 - . Entering into any agreement to commit any act of boycott, coercion or intimidation resulting in a market monopoly of insurance business;
 - . Knowingly committing or performing, as a general business practice, unfair claims settlement practices as defined in Section 241 of the Insurance Code;
 - . Deliberately or unreasonably delaying the remittance of funds representing payments of insurance and reinsurance premiums due to the insurers/reinsurers;
 - . Deliberately or unreasonably delaying the remittance of funds representing claims or reinsured loss recoveries/settlements due the assureds or insurers.

CORPORATE INDEPENDENCE

- . The Company's Corporate Independence shall, as much as possible, be maintained so as not to compromise the interests of its policyholders, claimants, creditors and minority shareholders. Controlling or substantial interests are disclosed to the Board, and the latter shall ensure compliance with the provisions of Title 20 chapter III of the Insurance Code on Holding Companies.
Overlapping interest in the insurance entity shall be disclosed to the Board and any material transaction involving such interests shall be similarly disclosed.

RELATED PARTY TRANSACTIONS

- . Related-party transactions are conducted on terms that are comparable to usual commercial terms, in order to safeguard the best interests of the insurance Corporation and its policyholders, creditors and claimants. In all cases, the provisions of Title 20 Chapter III of the Insurance Code are complied with. Related-party transactions are disclosed fully to the Board.
Prior Board approval is obtained for related-party transactions that are material in nature.